TAX INFORMATION FOR USAREUR FCC PROVIDERS

Office of the SJA

21st Theater Support Comm

FCC PROVIDERS IN THE US MUST PAY:

- income tax on their earnings using Schedule C, or Schedule C-EZ
- social security tax using Schedule SE
- estimated tax payments, using Form 1040ES,
  - (unless their spouse's withholdings are sufficient to cover the income and social security taxes they owe)

USAREUR FCC PROVIDERS ENJOY BIG TAX BREAKS:

- they can exclude their earnings from American income tax by filing Form 2555 (Foreign Earned Income Exclusion)
- they can file for a certificate of coverage from the German Social Security Office in Berlin; the certificate will exempt them from having to pay American social security taxes on Schedule SE

FOREIGN EARNED INCOME EXCLUSION:

- applies to amounts received from parents
- also applies to subsidies received from the U.S. Government
- to qualify, you must spend 330 days out of a 365-day period outside the U.S.
- the 365-day period does not have to coincide with the calendar year

THE GERMAN SOCIAL SECURITY SYSTEM:

- unlike the American system, the German system gives you a choice:
  - pay into it, or don’t pay into it
- if you elect not to pay into it, you will get nothing out of it
- if you elect to pay into it, the credits you build up can later be transferred to the American system

WHY IS A CERTIFICATE OF COVERAGE REQUIRED?

- Americans self-employed in Germany should be covered by the German social security system
- it is inappropriate for them to pay into the American social security system using Schedule SE
- instead, they should obtain a certificate of coverage from the German Social Security Office in Berlin & attach it to their U.S. tax return

HOW TO OBTAIN A CERTIFICATE OF COVERAGE:

- you will need the certificate before you can file your U.S. tax return
- FCC coordinators have application forms
- fax them or mail them via German post to the *Bundesversicherungsanstalt fuer Angestellte (BfA)* in Berlin
- apply each January for the previous year
- don’t delay; it can take several months for the *BfA* to process the application

WHERE TO TURN FOR TAX HELP:

- Unit Tax Advisors
- Tax Assistance Centers
- Legal Assistance Attorneys

LEGAL ASSISTANCE ATTORNEYS WILL TEACH CLASSES ON HOW TO FILE TAX RETURNS TO GROUPS OF FCC PROVIDERS UPON REQUEST OF A FCC COORDINATOR. CHECK WITH YOUR FCC COORDINATOR TO FIND OUT WHEN A CLASS IS SCHEDULED FOR YOUR COMMUNITY…